NOVA SCOTIA

HONOURABLE WILLIAM GILLIS
Minister of Finance
September 19,1996

Quarterly Report 1996-97

First Quarterly Update

June 30, 1996

- Statement by the Finance Minister
- Highlights
- Fiscal Summary
- Summary of Revenue
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Minister's Statement on First Quarter Results 1996-97

The report we are releasing today is the first in our renewed effort to make the government's handling of the financial affairs of the province more accountable. We are meeting a legislated requirement for regular financial reporting. For the first time, you will see how the government meets the financial challenges, as we go.

For too long, this accountability has been after the fact. The people of Nova Scotia had learned well after the end of the year what the government had done with their money. That has now changed. This report gives an account of the province's financial affairs as of June 30, 1996. But, in fact, it represents the government's most current thinking on where the budget stands now.

For instance, although, by June, we knew that there were challenges in the Department of Health, we did not design the course of action to correct the problem until some weeks later. Nevertheless, this report incorporates cabinet decisions taken well after the end of June.

As you will see, the government is confirming the announcement made by the Minister of Health, Bernie Boudreau, last month. There will be an extra sixty-four million dollars for health care. Funds to meet that commitment have been found without affecting our goal of achieving a surplus for the year.

The increased funding for health care has come from a variety of sources. We have asked all government departments to make a slight cut of one quarter of one percent of their budget. Some departments have been asked to delay the completion of certain projects until the next fiscal year. We are taking prudent steps to delay things that are not essential in order to allow the reform of our health care system to go forward.

We have also received some breathing room from general economic conditions. Unlike revenues, or even some expenditures, interest costs can be calculated daily. We know that our interest costs on our floating rate debt are lower than projected. We are comfortable in projecting some savings there that will allow us to redirect money for health care.

All this adds up to more than twenty-six million dollars worth of program spending cuts, and a thirty-six million dollar reduction in our estimate of what it will cost to service our debt. The final result is an extra sixty-four million dollars for health care, and a one million dollar surplus overall.

We are trying to meet the health care needs of Nova Scotians against the backdrop of a mountain of debt. We believe we have met that challenge, and will continue to do so.

September 19, 1996

HIGHLIGHTS

- A budgetary surplus of $1.1 million is currently forecast for the 1996-97 fiscal year as compared to the initial

estimate of $2.8 million.

- Although the Department of Health is projected to exceed its original budget by $64.1 million, a significant portion of this over expenditure has been recaptured through savings in other areas as indicated in the Net Program Expenditures summary. For example, departments have agreed to expenditure reductions of 0.25 per cent of original 1996-97 budget targets.

- The balance of program spending pressures is to be offset by reductions in debt servicing costs which are anticipated to be $36.3 million lower than the budget estimate.

- The Nova Scotia economy will continue to grow and be enhanced. For example, the construction sector will experience increased activity with the Highway 104 Western Alignment project ($120 million), the Stora expansion ($650 million), and construction of the blood fractionation plant ($300 million).

- Housing starts of single (detached) units are up 10.5 per cent, and this rate of activity is expected to continue through the second half of 1996. The manufacturing sector is experiencing growth in the value of shipments by 4.1 percent in the first six months of 1996, retail sales show an increase of 4.2 per cent and wholesale activity is very strong, increasing by 11.4 per cent from January to June 1996.

Fiscal Summary

(000's)

	1996-97 Budget	1996-97 Forecast	Change from Budget
Revenue	$4,178,061	$4,178,061	$ 0
Net Program Expenditures*	3,361,689	3,399,692	38,003
Restructuring Costs	38,600	38,600	0
Net Debt Servicing Costs	774,971	738,700	(36,271)
Total Expenditures	4,175,260	4,176,992	1,732
Budgetary Surplus	$2,801	$1,069	($ 1,732)

*Net Program expenditures include both current and capital expenditures.

Summary of Revenue

For the Year to End March 31, 1997

(000's)

Provincial Revenue	1996-97	1996-97
Personal Income Taxes	$ 902,012	$ 902,012
Corporate Income Taxes	106,200	106,200
Health Services Tax	749,200	749,200
Motive Fuel Taxes	199,400	199,400
NS Liquor Commission	114,529	114,529
NS Gaming Corporation	131,325	131,325
Other Revenues	294,558	294,558
	2,497,224	2,497,224
Federal Revenue		
Equalization	1,147,906	1,147,906
CHST	529,022	529,022
Other Federal	3,909	3,909
	1,680,837	1,680,837
Total Revenue	$ 4,178,061	$ 4,178,061

Provincial Revenue

For the first quarter of 1996-97, budget estimates of Personal and Corporate Income taxes, which are administered by the federal government, have not been updated. This information will be available in October. Any revisions to these and other provincial revenues will be reflected beginning in the second quarter update.

Federal Revenue

With respect to the first quarter of 1996-97, budget estimates of federal transfers to the province have not been updated. Consistent with above, federal information will be available in October and any required revenue revisions will be reflected beginning in the second quarter update.

Summary of Net Program Expenditures

For the Year to End March 31, 1997

(000's)

Department	1996-97 Budget	1996-97 Forecast	Change From Budget
Agriculture & Marketing	$32,512	$ 32,422	$ (90)
Business & Consumer Services	36,716	35,624	(1,092)
Community Services	539,537	539,537	-
Education & Culture/Universities	957,554	951,258	(6,296)
Environment	18,833	18,786	(47)
Finance	9,342	9,315	(27)
Fisheries	6,290	6,274	(16)
Health	1,162,179	1,226,279	64,100
Housing & Municipal Affairs	90,449	90,161	(288)
Human Resources	4,051	4,041	(10)
Justice	74,302	74,116	(186)
Labour	15,613	15,572	(41)
Natural Resources	53,856	46,722	(7,134)
Public Service	49,505	50,343	838
NS Economic Renewal Agency	69,561	69,387	(174)
Transportation & Public Works	241,389	229,855	(11,534)
	$ 3,361,689	$ 3,399,692	$ 38,003
Comprised of : Current	$ 3,202,514	$ 3,256,316	$ 53,802
Capital	159,175	143,376	(15,799)

Net Program Expenditures

It is currently forecast that net program expenditures related to health care are $64.1 million higher than estimated at budget time. More than half of this amount will be allocated to hospitals. The balance will be going to fund Pharmacare, Home Care and payments to doctors. The Public Service expenditure will exceed budget by $0.8 million mainly due to higher costs for the Westray Inquiry.

All departments except Health and Community Services are committed to a 0.25% expenditure reduction. In addition, other departments have identified savings by deferring certain projects and capital expenditures.

Debt Management Summary

Debt Refinancing Program

The Province did not issue any term debt during the first quarter of the year. The forecasted refinancing program of the Province remains at $ 457.7 million subject to receipt of the one-time GST/PST harmonization payment and the possible early call of outstanding debt issues.

Net Debt Servicing Costs

Net Debt Servicing Cost is forecast to be $ 36.3 million lower than budgeted. The reduction is a result of favourable interest and foreign exchange rates. As well, the Province had made provision for the servicing of the Nova Scotia Resources Limited (NSRL) debt. This provision will no longer be required for 1996-97.

Economic Developments

(January-June 1996)

The economic growth forecast for the province that was set out in the 1996-97 budget is expected to be achieved. Many economic indicators are positive year to date. Moreover, the Nova Scotia economy will benefit further from a resurgence in the Canadian and international economies in the second half of 1996 and into 1997.

- Retail sales are up 4.2 per cent, rebounding from last year's weak performance. New motor vehicle sales have led this recovery, posting a 13.4 per cent gain. Sales by wholesalers are up 11.4 per cent.
- Export growth has moderated in Nova Scotia, as well as in Canada. Improvement over the 3.7 per cent increase in export trade in the first half of this year will be a challenge, since major export industries in the province are operating near full capacity.
- Manufacturing continues to display the momentum of recent years, as this industry sector posted an increase of 4.1 per cent in shipments.
- Resource-based production is broadly stronger this year, as reflected in higher values in: farm cash receipts, +9.5 per cent; lumber output, +22.6 per cent; coal production, +20.6 per cent; and electric power generation, +8.0 per cent.
- Employment has averaged only slightly below expectations over the first six months of 1996. Quickening activity should lift employment as the year progresses.

Disclaimer:

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NOVA SCOTIA

HONOURABLE WILLIAM GILLIS
Minister of Finance
November 29,1996

Quarterly Report 1996-97

Second Quarterly Update

September 30, 1996

- Highlights
- Fiscal Summary
- Summary of Revenue
- Summary of Net Program Expenditures
- Debt Management Summary
- Economic Developments
- Disclaimer

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HIGHLIGHTS

Second Quarter Update

- A budgetary surplus of $1.2 million is currently forecast for the 1996-97 fiscal year.
- As of September 30, 1996 Standard and Poors upgraded Nova Scotia's credit rating from A- with a negative outlook, to A- with a stable outlook.
- Continued favourable movements in foreign exchange and interest rates have reduced Net Debt servicing costs by an additional $19.4 million since the First Quarter Update. On a cumulative basis, Net Debt Servicing costs are projected to be $55.7 million below initial estimates.
- Total revenues are currently forecast to be $4,158.9 million, a decline of $19.2 million from the 1996-97 budget estimate. While personal income tax revenues are expected to be $18.6 million higher than initially estimated, current and prior year equalization transfers as well as Health Services Tax revenues are forecast to be lower.
- The construction sector is turning in a stronger performance with employment up 3.7% to the end of September. Building permits are also up 2.5% through the end of the same period.
- Activity in new-home construction has been a main source of growth with starts for single-family homes up 8.9% to the end of September.

FISCAL SUMMARY	1996-97	**1996-97 Forecast**	Favourable/ (Unfavourable)
($000's)	Budget		**Change from Budget**
Revenue	$4,178,061	**$4,158,891**	$ (19,170)
Net Program Expenditures*	3,361,689	**3,399,832**	(38,143)
Restructuring Costs	38,600	**38,600**	0
Net Debt Servicing Costs	774,971	**719,300**	55,671
Total Expenditures	4,175,260	**4,157,732**	17,528
Budgetary Surplus	$2,801	**$1,159**	($ 1,642)

*Net Program expenditures include both current and capital expenditures.

Second Quarter Update

Summary of Revenue

For the Year to End March 31, 1997

(000's)

	1996-97 Budget	1996-97 Favourable/(Unfavourable) Forecast Change from Budget	
Provincial Revenue	902,012	920,612	18,600
Personal Income Taxes			
Corporate Income Taxes	106,200	106,200	0
Health Services Tax	749,200	739,700	(9,500)
Motive Fuel Taxes	199,400	199,400	0
NS Liquor Commission	114,529	114,529	0
NS Gaming Corporation	131,325	131,325	0
Other Revenues	294,558	297,097	2,539
Total Provincial Revenue	**2,497,224**	**2,508,863**	**11,639**
Federal Revenue			
Equalization	1,147,906	1,133,997	(13,909)
CHST	529,022	529,022	0
Other Federal	3,909	3,909	0
Total Federal Revenue	**1,680,837**	**1,666,928**	**(13,909)**
Prior Years' Adjustments	**0**	**(16,900)**	**(16,900)**
Total Revenue	**4,178,061**	**4,158,891**	**(19,170)**

Provincial Revenue

To date, budget estimates of Corporate Income taxes have not been updated. The increase in Personal Income tax revenues is based on preliminary data provided by Revenue Canada. Further revisions are anticipated concurrent with the release of the corporate income tax data from Revenue Canada.

The reduction in Health Services Tax of $9.5 million from the budget estimate reflects lower than anticipated revenues derived from tobacco products and the fact that the growth in sales tax revenues has not kept pace with economic trends in the second quarter. Other provincial sources have increased over the budget estimate, most notably in provincial royalties from Petroleum.

Federal Revenue

The updated forecast of federal equalization transfers to the province is $13.9 million lower than the budget estimate due mainly to a change in methodology in the Statistics Canada survey used for the retail sales tax base.

Prior Years' Adjustments

Prior years' adjustments resulting from the latest official estimates of Equalization and CHST have resulted in a decline in federal revenues of $38.9 million. Offsetting that $38.9 million decline is an estimated increase of $22 million in personal income tax revenues relating to the 1995 tax year which results in a net unfavourable prior year adjustment of $16.9 million.

Second Quarter Update

Summary of Net Program Expenditures

For the Year End March 31, 1997

(000's)

Department	1996-97 Budget	**1996-97 Forecast**	Favourable/ (Unfavourable) **Change from Budget**
Agriculture & Marketing	$32,512	**$ 32,422**	$ 90
Business & Consumer Services	36,716	**35,624**	1,092
Community Services	539,537	**539,537**	-
Education & Culture/Universities	957,554	**951,259**	6,295
Environment	18,833	**18,786**	47
Finance	9,342	**9,315**	27
Fisheries	6,290	**6,274**	16
Health	1,162,179	**1,226,279**	(64,100)
Housing & Municipal Affairs	90,449	**90,159**	290
Human Resources	4,051	**3,995**	56
Justice	74,302	**74,117**	185
Labour	15,613	**15,570**	43
Natural Resources	53,856	**46,686**	7,170
Public Service	49,505	**50,280**	(775)
NS Economic Renewal Agency	69,561	**69,387**	174
Transportation & Public Works	241,389	**230,142**	11,247
	$ 3,361,689	**$ 3,399,832**	$(38,143)
Comprised of : Current	$ 3,202,514	**$ 3,256,931**	$ (54,417)
Capital	159,175	**142,901**	16,274

Net Program Expenditures

There are no significant changes in the forecast of 1996-97 expenditures from the first quarter update. The forecast of Net program expenditures related to health care continues to be $64.1 million higher than estimated at budget time. More than half of this amount will be allocated to hospitals. The balance will be going to fund Pharmacare, Home Care and payments to doctors. The Public Service expenditure will exceed budget by $0.8 million mainly due to

higher costs for the Westray Inquiry.

All departments except Health and Community Services are committed to a 0.25% expenditure reduction. In addition, other departments have identified savings by deferring certain projects and capital expenditures.

Second Quarter Update

Debt Management Summary

Debt Refinancing Program

There was one $30 million structured debt issue completed during the second quarter. The original forecasted refinancing program of $457.7 million remained unchanged at quarter's end.

Net Debt Servicing Costs

Continued favourable movements in foreign exchange and interest rates, as well as active debt management practices, have reduced Net Debt servicing costs by an additional $19.4 million since the First Quarter Update. On a cumulative basis, Net Debt Servicing costs are projected to be $55.7 million below initial estimates.

Second Quarter Update

Economic Developments

(July-December 1996)

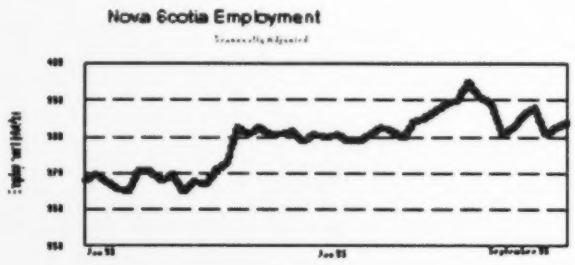
The economic growth forecast for the province that was set out in the 1996-97 budget is still achievable although recent weakness in employment levels could affect the 1996 forecast. Many economic indicators continue to show that Nova Scotia's economic performance will be positive for 1996. The Nova Scotia economy will benefit from a resurgence in the Canadian and international economies in the later part of 1996 and into 1997. (All economic data presented is for the first eight months of 1996 except where noted.)

- Retail sales are up 4.9 per cent, rebounding from last year's weaker performance. New motor vehicle sales have led this recovery, posting a 13.1 per cent gain. Sales by wholesalers are up 9.5 per cent.

- This year the construction sector is turning in a stronger performance with employment up 3.7% to the end of September. Building permits are also up 2.5% to the end of September. Activity in new-home construction has been the main source of the growth with starts for single-family homes up 8.9% to the end of September. Historically low interest rates are contributing to this increased level of activity.

- Manufacturing continues to display the momentum of recent years, as this industry sector posted an increase of 5.1 per cent in shipments over the same quarter of last year.

- Resource-based production is stronger this year, as reflected by the growth in: lumber output, +27.1 per cent; coal production, +14.7 per cent; and electric power generation, +5.6 per cent.



- Employment has averaged below expectations over the first nine months of 1996. Recent improvements in August and September suggest a recovery is occurring.

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NOVA SCOTIA

Province Of Nova Scotia
1996-97 Quarterly Report
Third Quarter Update
December 31, 1996
Issued: February 28, 1997

HIGHLIGHTS

- The Budget continues to be on track in the current fiscal year allowing the Province to achieve the first balanced budget in almost 25 years.
- Total provincial own source revenue for 1996-97 has increased $53.7 million from the budget estimate including current and prior years. In contrast, revenue from federal sources has declined $46.6 million since the estimate. As a result, total revenue is $7.1 million higher than budget.
- Increased overall program expenditures relate primarily to increased funding for health.
- Debt Servicing Costs continue to decline due to favourable movements in foreign exchange and interest rates, as well as active debt management practices.
- The economic indicators show an improvement in the last months of 1996 with several sectors showing strength: building permits have increased in value by 11.2% in 1996 and, annual retail sales grew by 6.9%, the second highest provincial growth rate in the country.
- A budgetary surplus of $ 1.042 million is currently forecast for the 1996-97 fiscal year, compared to the initial surplus estimate of $2.8 million.

Fiscal Summary (000's)	**1996-97 Budget**	**1996-97 Forecast**	Favourable/ (Unfavourable) **Change from Budget**
Revenue	**$4,178,061**	**$4,185,163**	**$ 7,102**
Net Program Expenditures*	3,361,689	3,429,688	(67,999)
Restructuring Costs	38,600	38,600	0
Net Debt Servicing Costs	774,971	715,833	59,138
Total Expenditures	**4,175,260**	**4,184,121**	**(8,861)**
Budgetary Surplus	**$ 2,801**	**$ 1,042**	**($ 1,759)**

*Net Program expenditures include both current and capital expenditures.

Summary of Revenue
For the Year to End March 31, 1997

(000's) Provincial Revenue	1996-97 Budget	1996-97 Forecast	Favourable/ (Unfavourable) Change from Budget
Personal Income Taxes	$ 902,012	$ 900,254	(1,758)
Corporate Income Taxes	106,200	104,455	(1,745)
Health Services Tax	749,200	739,700	(9,500)
Motive Fuel Taxes	199,400	199,400	0
NS Liquor Commission	114,529	114,529	0
NS Gaming Corporation	131,325	131,325	0
Provincial PYAs	0	62,900	62,900
Other Revenues	294,558	298,353	3,795
	2,497,224	**2,550,916**	**53,692**
Federal Revenue			
Equalization	1,147,906	1,131,178	(16,728)
CHST	529,022	524,860	(4,162)
Federal PYAs	0	(25,700)	(25,700)
Other Federal	3,909	3,909	0
	1,680,837	**1,634,247**	**(46,590)**
Total Revenue	**$ 4,178,061**	**$ 4,185,163**	**$ 7,102**

Provincial Revenue Total provincial own source revenue for 1996-97 has increased $53.7 million from the budget estimate. Although Personal and Corporate income taxes are both marginally below the budget estimate for 1996-97, positive prior years' adjustments (PYAs) more than offset the decline. Upward adjustments to Nova Scotia's share of provincial income tax and rebounding levels of corporate profits in the 1995 taxation year have resulted in $29.5 million in prior years' adjustments relating to corporate income taxes and $33.4 million in personal income tax revenue.

Federal Revenue The forecast of federal equalization transfers remains largely unchanged from the second quarter, essentially reflecting revisions to official estimates. Transfers relating to the Canada Health and Social Transfer (CHST) have been revised down by $4 million to reflect the higher

value of personal and corporate income tax points. As well, the current forecast for 1996-97 includes $25.7 million in negative prior years' adjustments relating to federal transfers.

Summary of Net Program Expenditures

For the Year to End March 31, 1997

Department (000's)	**1996-97 Budget**	**1996-97 Forecast**	Favourable/ (Unfavourable) **Change from Budget**
Agriculture & Marketing	$ 32,512	$ 32,422	$ 90
Business & Consumer Services	36,716	35,624	1,092
Community Services	539,537	545,087	(5,550)
Education & Culture/Universities	957,554	957,359	195
Environment	18,833	18,359	474
Finance	9,342	8,182	1,160
Fisheries	6,290	6,260	30
Health	1,162,179	1,230,279	(68,100)
Housing & Municipal Affairs	90,449	89,716	733
Human Resources	4,051	3,936	115
Justice	74,302	83,866	(9,564)
Labour	15,613	15,012	601
Natural Resources	53,856	53,370	486
Public Service	49,505	47,962	1,543
NS Economic Renewal Agency	69,561	69,387	174
Transportation & Public Works	241,389	232,867	8,522
Comprised of:	**3,361,689**	**3,429,688**	**(67,999)**
Current	$ 3,202,514	$ 3,292,282	($ 89,768)
Capital	159,175	137,406	21,769

Net Program Expenditures Net Program Expenditures are $68 million higher than estimated at the beginning of the fiscal year. In addition to the pressures facing the Department of Health of $68 million, expenditures have also increased in the Departments of Community Services and Justice.

Increased pressures resulted in a $5.6 million over expenditure in Community Services. An additional $10 million was also required in the

Department of Justice to contribute to the Compensation for Victims of Institutional Abuse. All other departments have identified savings in total program expenditures.

Debt Management Summary

Debt Refinancing Program In the latest quarter, the Province changed its refinancing objectives to take advantage of low interest rates and a relatively strong Canadian dollar. The refinancing program has been revised from $458 million to $1,051 million. The increase was primarily due to the decision to call two large outstanding debt issues which were then refinanced at a lower cost. The total refinanced in these issues was $400 million. The result also helped achieve government objectives of lowering the foreign currency mix in the debt portfolio.

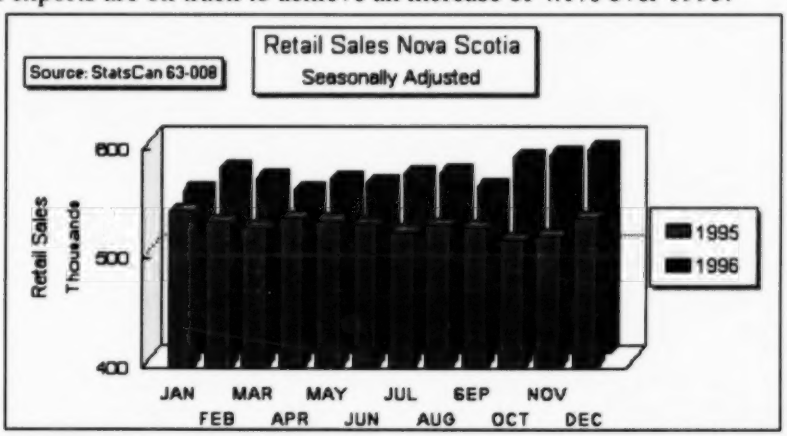
Net Debt Servicing Costs A strengthening Canadian dollar, lower interest rates, and active debt management practises have reduced Net Debt Servicing Costs by an additional $3.4 million since the previous quarterly report. On a cumulative basis, interest payments are now projected to be $59.1 million less than originally estimated.

Economic Developments

(September-December 1996)

The economic indicators show an improvement in the last months of 1996. As a result, the average employment level is estimated to reach 385,000 a figure just short of the 387,000 forecast in the 1996-97 budget. Stronger growth at year end may lift the economic output of both Canada and Nova Scotia for 1996, now estimated to have increased over 1995 by 1.3 % and 0.9% respectively.

- Nova Scotia exports are on track to achieve an increase of 4.1% over 1995.



- Manufacturing shipments which account for a major portion of exports increased by 3.4% over 1995.
- Building permits have increased in value by 11.2% over 1995.

- The number of permits for new units were up 17.6 %, and single detached housing dwellings were up by 33.5%.
- Non-residential construction experienced a turnaround spurred by two large projects – the $750 million Stora expansion and the $120 million Highway 104 Western Alignment.
- Retail trade shows an increase of 6.9 % for the year 1996 over the 1995 total. The value of new motor vehicle sales for 1996 increased by 12.0% in Nova Scotia, as compared with a national gain of 11.8%.

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NOVA SCOTIA

Province of Nova Scotia
Honourable William Gillis
Minister of Finance
August 20, 1997

Final Update Fiscal 1996-97
March 31, 1997

Highlights

- The Province ended the financial year with the first full surplus in almost 25 years.
- Current provincial own source revenue increased by $ 42 million from original estimates. In addition there were Prior Year's Adjustments on provincial own source revenue that added $65 million for a total of $107 million in additional Provincial Own Source Revenues.
- This was offset by a reduction of $26.4 million in current federal revenues and a reduction of $12.4 million in Prior Years federal Revenues, for a total federal reduction in revenue of $38.9 million. The total net increase in revenues was $68 million.
- Net debt servicing costs ended up being $88 million less than estimated.
- The combination of lower costs and higher revenues provided for increased social program expenditures and created a surplus that was larger than estimated and forecast.
- The budgetary surplus came in at $8.3 million for the year ending March 31, 1997.
- The budgetary surplus, gains in crown corporations and a reduction in unfunded pension liabilities, are the reasons for a $143 million reduction in the province's Net Direct Debt.

Fiscal Summary (000's)	**1996-97 Budget**	**1996-97 Actual**	Favourable/ (Unfavourable) **Change from Budget**
Revenue	**$4,178,061**	**$4,246,045**	**$67,984**
Net Program Expenditures*	3,361,689	3,514,928	(153,239)
Restructuring Costs	38,600	35,627	2,973
Net Debt Servicing Costs	774,971	687,214	87,757
Total Expenditures	**4,175,260**	**4,237,749**	**(62,509)**
Budgetary Surplus	**$2,801**	**$8,276**	**$5,475**

*Net Program Expenditures include

both current and capital expenditures.

Summary of Revenue

For the Year Ending March 31, 1997

(000's)	1996-97 Budget	1996-97 Actual	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue			
Personal Income Taxes	$ 902,012	$ 951,529	49,517
Corporate Income Taxes	106,200	112,310	6,110
Health Services Tax	749,200	739,851	(9,349)
Motive Fuel Taxes	199,400	198,668	(732)
NS Liquor Commission	114,529	116,104	1,575
NS Gaming Corporation	131,325	133,388	2,063
Provincial PYAs	0	65,371	65,371
Other Revenues	294,558	286,887	(7,672)
	2,497,224	**2,604,108**	**106,884**
Federal Revenue			
Equalization	1,147,906	1,115,691	(32,215)
CHST	529,022	536,412	7,390
Federal PYAs	0	(12,472)	(12,472)
Other Federal	3,909	2,306	(1,603)
	1,680,837	**1,641,937**	**(38,900)**
Total Revenue	**$ 4,178,061**	**$ 4,246,045**	**$67,984**

Provincial Revenue

Total provincial own source revenue for 1996-97 increased by $107 million from the budget estimate. Projected to be slightly under budget for most of the year, income taxes ended up being $56 million more then originally estimated due to stronger growth in both personal incomes and corporate profits. In addition, Prior Years Adjustments (PYA's) on provincial own source revenue came in at $65 million.

Federal Revenue

Federal equalization payments ended the year being $32 million below initial estimate. This reduction was partially offset by an increase in Canada Health and Social Transfer (CHST) payments of $7 million. In addition, there has been a reduction in Federal Prior Year's Adjustments in the amount of $12 million and other federal sources reductions of $1 million for a net federal shortfall of $38 million from original budget estimates.

Summary of Net Program Expenditures

For the Year Ending March 31, 1997

Department (000's)	**1996-97 Budget**	**1996-97 Actual**	Favourable/ (Unfavourable) **Change from Budget**
Agriculture&Marketing	$32,512	$ 32,322	$ 190
Business&Consumer Services	36,716	35,129	1,587
Community Services	539,537	544,931	(5,394)
Economic Development & Tourism	69,561	67,057	2,504
Education & Culture/ Universities	957,554	971,676	(14,122)
Environment	18,833	18,599	234
Finance	9,342	8,782	560
Fisheries	6,290	6,198	92
Health	1,162,179	1,286,226	(124,047)
Housing&Municipal Affairs	90,449	93,312	(2,863)
Human Resources	4,051	4,029	22
Justice	74,302	89,621	(15,319)
Labour	15,613	14,676	601
Natural Resources	53,856	53,677	179
Public Service	49,505	47,757	1,748
Transportation&Public Works	241,389	240,936	453
	3,361,689	3,514,928	(153,239)
Comprised of:	$	$	
Current	3,202,514	3,347,486	(144,972)
Capital	159,175	167,442	(8,267)

Net Program Expenditures

Net Program Expenditures (Current and Capital) are $ 153 million more than estimated at the beginning of the fiscal year. Approval for this increase in program spending was given in stages as the need arose,

and as it became apparent that a combination of increased revenues and a reduction in debt servicing charges would allow for extra spending, without affecting the budget surplus.

Some of the increase in Net program Expenditures is the result of accounting decisions at the end of the fiscal year including: provisions for the possible need to finance new high tech schools out of current spending ($15 m); additional provisions for the Department of Justice to fund payments to the Victims of Institutional Abuse ($15 m): and, provisions for doubtful accounts in the Department of Health ($39 m). The Department of Transportation & Public Works and Housing & Municipal Affairs have also accounted for $11.75 m in capital spending commitments made in 1996-97, although the work will not be complete until the 1997-98 fiscal year.

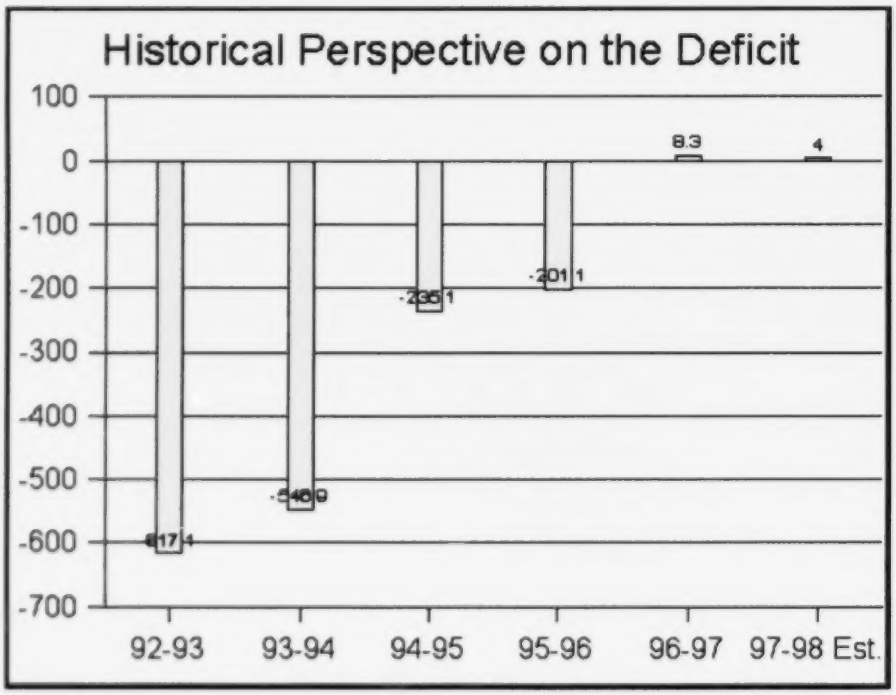
Debt Management Summary

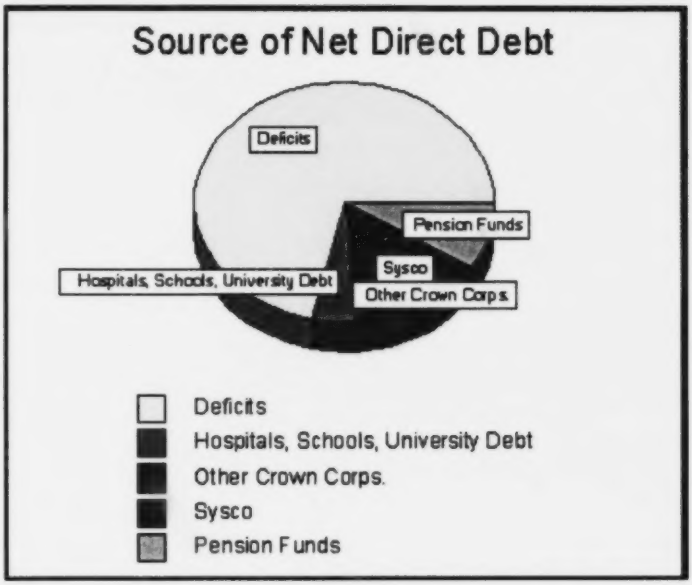
Debt Refinancing Program

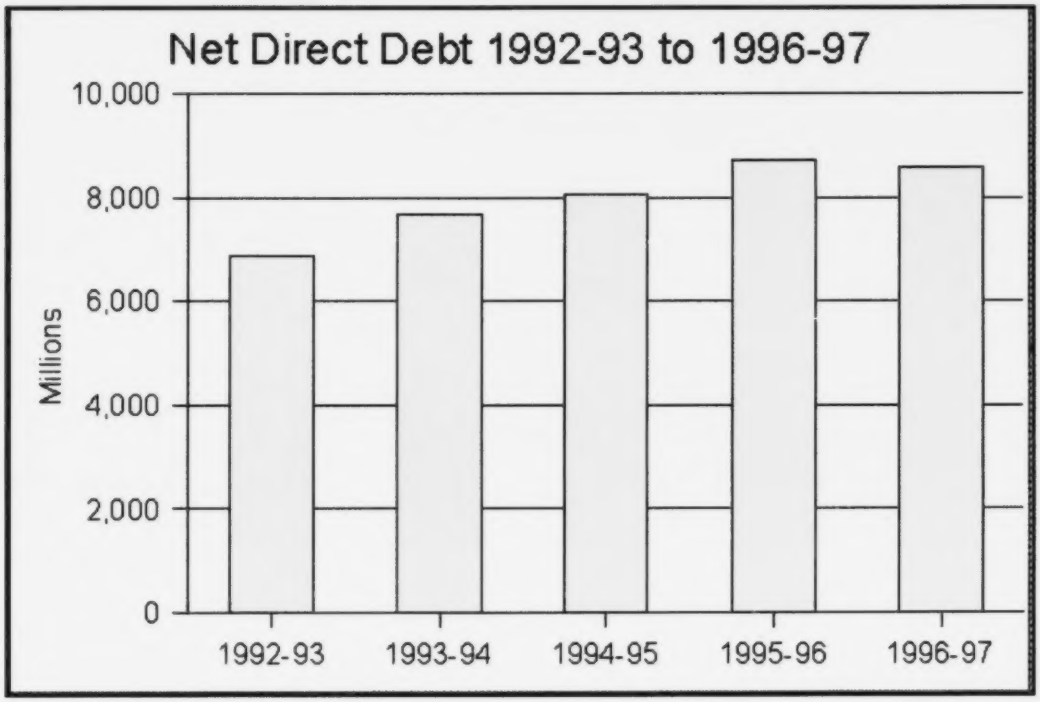
As a result of favourable interest rates, the Province called several large outstanding debt issues and refinanced them at lower rates. The Province also was able to use the refinancing as an opportunity to reduce foreign currency exposure. At the end of the fiscal year 1996-97, 52% of the Provincial Debt was in foreign currencies. Within a few days following the close of the financial year, the Province took advantage of market opportunities to further reduce the foreign currency exposure to 48%

Net Debt Servicing Costs

Active debt management practices and lower interest rates throughout the fiscal year managed to reduce net debt servicing charges by $88 million.







Notes to Charts:

Deficits

- The deficit in Nova Scotia reached a record $617 million in 1992-93.
- Four years later, the gap between spending and revenue had been eliminated and the Province

moved into budget balance.

Net Direct Debt

- The accumulation of deficits over the years is responsible for about 75% of the Province's Net Direct Debt.
- Losses at Sysco and other crown corporations, as well as the shortfall in the pension funds, and some of the debt at the Province's hospitals, schools and universities make up the other 25%.
- Improved returns on investment in the Province's pension funds, gains in crown corporations, as well as the budget surplus, resulted in a reduction in the Net Direct Debt of $143 million.

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